

Message Text

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ACTION EA-01

INFO OCT-01 ISO-00 PA-01 INR-01 PRS-01 /005 W

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O R 170900Z SEP 74 ZFF-4

FM AMEMBASSY PHNOM PENH

TO USINFO WASHDC NIACT IMMEDIATE

INFO SECSTATE WASHDC 7743

AMEMBASSY BANGKOK

AMEMBASSY SAIGON

AMCONSUL HONG KONG

SECDEF WASHDC

UNCLAS PHNOM PENH 12465

USINFO ALSO FOR VOA NEWSROOM

USINFO ALSO FOR IOP/FW

USINFO ALSO FOR IEA

BANGKOK FOR HEDGES

BANGKOK, HONG KONG AND SAIGON FOR VOA CORRESPONDENTS

STATE S/PRS AND EA/P

SECDEF FOR OASD/PA

E.O. 11652: N/A

SUBJ: KHMER SITUATIONER

1. ON SEPTEMBER 15 GKR MINISTER O FINANCE KHY TAING LIM
ANNOUNCED A PACKAGE OF TOUGH BUT NECESSARY ECONOMIC
REFORMS DESIGNED TO CORRECT A NUMBER OF PREVAILING
PRICE DISTORTIONS.

2. THE OFFICIAL SALES PRICE FOR RICE HAS BEEN ALMOST
TRIPLED. THE OLD, ARTIFICIALLY LOW PRICE FOR THIS PL 480
IMPORTED RICE IS NOW IN LINE WITH THE BANGKOK RETAIL PRICE.
THE MEASURE IS INTENDED TO PRESERVE RICE STOCKS
UNTIL THE NEXT HARVEST.

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3. THE OFFICIAL PURCHASE PRICE FOR PADDY HAS BEEN QUADRUPLED,

A MEASURE DESIGNED TO ENCOURAGE INCREASED PLANTING OF RICE AND INTENDED TO DISCOURAGE EXPORTS OF CAMBODIAN RICE.

4. PETROLEUM PRODUCT PRICES HAVE BEEN DOUBLED AND TRIPLED IN A MOVE TO REFLECT WORLD MARKET PRICES AND TO REDUCE THE CONSUMPTION OF THESE HIGH DOLLAR-COST COMMODITIES AND PRESERVE VITAL FOREIGN CURRENCY RESERVES.

5. THE PRESENT FOREIGN EXCHANGE SYSTEM HAS BEEN LIBERALIZED AND EXPANDED INTO A THREE-MARKET OPERATION. THE CAMBODIAN GOVERNMENT IS SHORTLY EXPECTED TO ANNOUNCE A SIZABLE DEVALUATION. THE EXPECTATION IS THAT THE NEW OFFICIAL MARKET RATE WILL APPROXIMATE THE OLD BLACK MARKET RATE.

6. GOVERNMENT AND MILITARY SALARIES HAVE BEEN INCREASED. CIVIL SERVANTS WILL RECEIVE AN AVERAGE INCREASE OF 70 PER CENT. THE SALARIES OF MILITARY PERSONNEL IN COMBAT STATUS WILL DOUBLE WHILE OTHER MILITARY PERSONNEL WILL RECEIVE A SMALLER INCREASE.

7. IN SUMMARY, THE TOUGH BUT LONG-OVERDUE ECONOMIC PACKAGE SHOULD GO A LONG WAY TOWARD IMPROVING THE HEALTH OF THE KHMER ECONOMY. AT THE SAME TIME IT IS TOO EARLY TO ASSESS THE FULL MEANING AND IMPACT OF THE TOUGH, BUT WELL-CONCEIVED PACKAGE.

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